97-84051-25

U.S. Congress. House.

Coal. State tax on coal in storage.

Washington

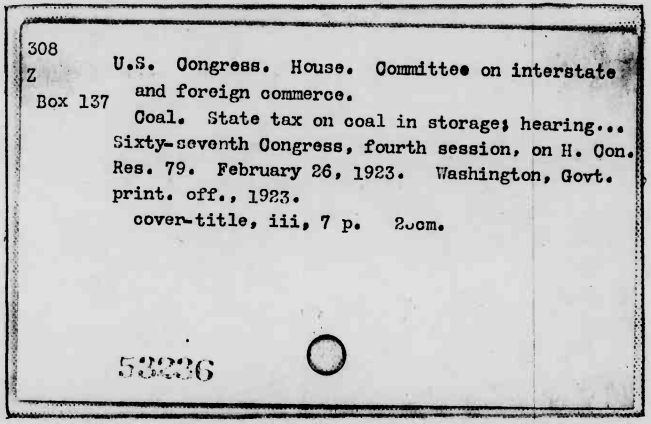
1923

97-84051-25
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD


308
Z
Box 137

U.S. Congress. House. Committee on interstate and foreign commerce.
Coal. State tax on coal in storage; hearing... Sixty-seventh Congress, fourth session, on H. Con. Res. 79. February 26, 1923. Washington, Govt. print. off., 1923.
cover-title, iii, 7 p. 23cm.

52226

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 10:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3-25-97 INITIALS: RB

TRACKING # : 22767

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

308
Z
Box 137
Box

MAR 10 1923

COAL

STATE TAX ON COAL IN STORAGE

HEARING

BEFORE THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE OF THE HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS
FOURTH SESSION

ON

H. Con. Res. 79

FEBRUARY 26, 1923

WASHINGTON
GOVERNMENT PRINTING OFFICE
36500 1923

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS.

SAMUEL E. WINSLOW, Massachusetts, *Chairman*.

JAMES S. PARKER, New York.
BURTON E. SWEET, Iowa.
WALTER R. STINESS, Rhode Island.
JOHN G. COOPER, Ohio.
EDWARD E. DENISON, Illinois.
EVERETT SANDERS, Indiana.
SCHUYLER MERRITT, Connecticut.
J. STANLEY WEBSTER, Washington.
EVAN J. JONES, Pennsylvania.
CARL E. MAPES, Michigan.
WILLIAM J. GRAHAM, Illinois.
WALTER H. NEWTON, Minnesota.
HOMER HOCH, Kansas.

ALBEN W. BARKLEY, Kentucky.
SAM RAYBURN, Texas.
GEORGE HUDDLESTON, Alabama.
CLARENCE F. LEA, California.
PAUL B. JOHNSON, Mississippi.
HARRY B. HAWES, Missouri.

ELTON J. LAYTON, *Clerk*.
ROBERT B. BENNETT, *Assistant Clerk*.

H.R. 1882 1923

CONTENTS.

	Page.
Appleby, Hon. T. Frank	1
Parker, Hon. Richard Wayne	4

COAL.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Monday, February 26, 1923.

The committee this day met, Hon. Samuel E. Winslow (chairman) presiding.

The CHAIRMAN. Mr. Appleby, we will now hear you on House Concurrent Resolution 79, which reads as follows:

[H. Con. Res. 79, Sixty-seventh Congress, fourth session.]

Whereas the fuel shortage in practically every section of the United States is becoming constantly more acute; and

Whereas the conditions are such as to plainly indicate that some practical step must be taken toward the accumulation of reserves of fuel necessary to stabilize industry and protect the consumer in periods of acute shortage; and

Whereas it is evident that the seasonal demand for coal can to a great extent be met by storage at points near large centers of consumption; and

Whereas the practice of distributing agencies, railroad companies, corporations, and individuals in storing large quantities of coal during the summer months in anticipation of future demand has practically been discontinued largely because of the imposition of local taxes upon such storage stocks; and

Whereas the resumption of the practice of creating great storage piles of coal would establish valuable balance wheels to the trade and facilitate steadiness of operation of the mines, as well as assuring adequate sources of supply for seasonal demands: Therefore be it

Resolved by the House of Representatives (the Senate concurring), That the several States are hereby requested through appropriate action by their several legislatures to exempt from taxation all fuel coal of any kind and character in storage within the limits of their respective States.

STATEMENT OF HON. T. FRANK APPLEBY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY.

Mr. APPLEBY. Mr. Chairman, this concurrent resolution, which I presented to the House on January 10, reads as follows:

"Whereas the fuel shortage in practically every section of the United States is becoming constantly more acute; and

"Whereas conditions are such as to plainly indicate that some practical step must be taken toward the accumulation of reserves of fuel necessary to stabilize industry and protect the consumer in periods of acute shortage; and

"Whereas it is evident that the seasonal demand for coal can to a great extent be met by storage at points near large centers of consumption; and

"Whereas the practice of distributing agencies, railroad companies, corporations, and individuals in storing large quantities of coal during the summer months in anticipation of future demand has practically been discontinued largely because of the imposition of local taxes upon such storage stocks; and

"Whereas the resumption of the practice of creating great storage piles of coal would establish valuable balance wheels to the trade and facilitate steadiness of operation of the mines, as well as assuring adequate sources of supply for seasonal demands: Therefore, be it

"*Resolved by the House of Representatives (the Senate concurring)*, That the several States are hereby requested through appropriate action by their several legislatures to exempt from taxation all fuel coal of any kind and character in storage within the limits of their respective States."

This resolution is the outcome of my observance of the nonstorage of coal in my State and in my district. Up to about four or five years ago all the big coal mining companies of the Central Railroad, the Pennsylvania, and the Lehigh Valley, who

have terminals in the State of New Jersey, used to store coal all summer and accumulate millions of tons of various grades and sizes. This coal would be unloaded by the bucket system, and vast pyramids would be established at these terminals, which in every case that I recall are very near tidewater or right along the railroad sidings. That practice was continued for years by the coal companies with very good results. After this storing of coal had been going on for several years some enterprising local assessors in Middlesex County, in my congressional district, determined that their townships were going to seize this opportunity to levy a large amount of tax on this coal in storage. The railroad companies resisted the proposition. It was carried to the courts, and finally to the supreme court of our State. The supreme court held that that coal being there on a certain day of the year which was the taxable day, and at that time being the 20th of May, but which has now been changed to the 1st of October, that all such coal was subject to taxation for local, county, and State purposes.

The result was that the railroad companies concluded it would not pay them to pay an additional tax on that coal; so they simply dismantled their large hoisting plants, and the coal was shipped on into New York and other centers, and they ceased to operate their storage yards.

There are, of course, a great many angles to the coal shortage situation. My idea is, that this is but one of the propositions which should cause a reduction in the price of coal. You are all familiar with the troubles the coal miners have and the railroad companies to command sufficient cars to handle coal during the rush season. The question of keeping the men at work is a problem—constantly at work—If the miners could be kept at work four or five days every week the year around they would be better satisfied, the coal would be produced in better shape, and the mines would be kept in better condition, and, above all, the public would know that they had a good supply of coal near at hand, near the points they wanted it, rather than off at the mines when these coal shortages occur.

The situation in my State called my attention to this matter, and I believe it is legislation of the right kind. It simply requests the legislatures of the various States to say to their legislators that this is a proposition that, in the opinion of Congress, would be one of the matters for legislative action whereby a greater supply of coal could be had at a more reasonable price. In my judgment such storage would tend to equalize the coal markets. This is a proposition which I think Congress is interested in. The gentleman from New England, Mr. Treadway, of Massachusetts, made a statement on the floor of the House about the coal shortage in New England, and of course, New York City, you understand, gentlemen, is worse off than many points this side of the Hudson River. In seasons like this, when ice is floating down the river, they have a great deal of trouble to get their barges across the river, and until they have better terminal facilities they will always have that same trouble.

My idea is that if these coal piles were reestablished in the various States there could not be the excuse that the local dealer could not get any coal, because it would be right handy, and neither could the excuse be given by the miners that they did not have steady work.

Mr. LEA. As I understand it, Mr. Appleby, these local assessments for taxation purposes are made on one day in the year, are they not?

Mr. APPLEBY. If the coal is there on a certain day; yes, sir.

Mr. LEA. So that most of the coal that passes from the mines to the consumer pays no tax at all.

Mr. APPLEBY. Except they pay a tax at the coal mines in the States from which it comes. In Pennsylvania, as I understand it, they pay a tax on this coal from a real estate standpoint or from the standpoint of its value in storage at the mines.

Mr. LEA. The coal that has been dug would pay that tax.

Mr. APPLEBY. Yes, sir; that coal pays a tax, and I assume that is one of the reasons the matter is in the shape it is, because the coal companies figure they pay one tax at the mines and this is a double tax when piled in storage.

Mr. LEA. The coal in the hands of the retailer would not be taxed at the mine, and, of course, if he did not pay a tax it would not bear any tax.

Mr. APPLEBY. Of course, the question for the States to determine would be whether or not they could make a distinction between the local dealer who had a limited amount of coal and the coal company that had millions of tons of coal in storage.

Mr. LEA. And, of course, one problem is the difference in location. The mine would be taxed in one county for local purposes and the stock would be taxed perhaps in another county, and the county where it is sold would probably get no tax.

Mr. APPLEBY. My thought is that the legislatures could work out that adjustment. The main thing I had in mind was to get coal from the mines to these storage piles.

Mr. LEA. Then if they want a just tax the best proposition would be to tax every ton of coal, would it not?

Mr. APPLEBY. It does pay one tax. All the coal that comes out of the mines of Pennsylvania is taxed, as I understand it. Now, this is a second tax when stored.

Mr. LEA. But this is a tax in the hands of the retailer.

Mr. APPLEBY. Yes.

Mr. LEA. And that tax in the hands of the retailer is for local purposes?

Mr. APPLEBY. Yes; local, State, and county. Of course, we have no State tax in our State except a small one for school purposes.

Mr. LEA. Do you know at about how much this coal is ordinarily valued for taxation purposes?

Mr. APPLEBY. It runs into millions of dollars. I imagine my colleague, Mr. Parker, could tell you that.

Mr. LEA. At how much per ton is it valued.

Mr. APPLEBY. I assume if they tax coal like they do everything else it is supposed to be taxed at full value. For instance, if coal in storage was worth $10 a ton they would have to tax it on that basis, and a further point, which you are leading up to, is that whatever tax is put upon that coal locally would be passed on to the consumer.

Mr. LEA. On a 1 per cent basis, that would be 10 cents a ton?

Mr. APPLEBY. Yes, sir; if that was the local rate of taxation.

Mr. LEA. And it would not be much more than that on the average?

Mr. APPLEBY. Oh, yes; our rates in New Jersey are from $25 to $30 a thousand.

Mr. LEA. Well, that would be $0.25 a ton.

Mr. APPLEBY. Yes.

Mr. LEA. Now, your dealer is not interfered with except on a specific date. What is the date of taxation in your State?

Mr. APPLEBY. The taxing now has been changed, I think, to the 1st day of October. Is not that right, Mr. Parker?

Mr. PARKER of New Jersey. I do not remember.

Mr. APPLEBY. It used to be the 20th of May, but I think it is now the 1st of October, and any coal in storage or in bins on that date would be subject to the tax.

Mr. LEA. How would you discriminate between a stock of coal and some other stocks of products that are held temporarily and then passed on to the consumer; for instance, vegetables or even dry goods that are bought and sold?

Mr. APPLEBY. Of course, vegetables are perishable, and they would not be in the same class. As to the difference between dry goods and coal, dry goods are not necessities, as compared with coal.

Mr. LEA. Well, say cold-storage food products like meats and eggs?

Mr. APPLEBY. I assume they are taxed in the storehouse wherever they are.

Mr. LEA. Would not the passage of this sort of legislation necessitate dealing with the other question of exempting food products, for instance?

Mr. APPLEBY. I am not so sure it would because as I said before coal is a universal commodity, and lots of the things you mention are not exactly in the same class.

Mr. HUDDLESTON. Mr. Appleby, what precedent have you for this resolution?

Mr. APPLEBY. I do not know that I have any precedent. It was just a thought of mine. It should not require a precedent to enact legislation.

Mr. HUDDLESTON. Has the Congress of the United States ever requested the States to exempt any subject of taxation from taxes?

Mr. APPLEBY. Some one of the older Members can better answer that question than I can, because I am a new Member and I do not know. What I was after, Mr. Huddleston, was relief.

Mr. HUDDLESTON. Why not apply to your own State legislature.

Mr. APPLEBY. I have, but I figured this is a national situation. There must be many other States in a similar position, such as New York, Pennsylvania, Illinois, and Ohio.

Mr. HUDDLESTON. The burden is borne by the local consumers who are local to any community, and here you are asking us to request the States to exempt coal from taxation. That is a subject that we have not a thing in the world to do with, it is solely in the province of the several States to decide what taxes they shall levy and they are the sole judges of their economic condition and their necessity for revenues. It occurs to me that we are here just butting into something without any knowledge of the situation and without any justification under the Constitution or under our governmental system.

Mr. PARKER of New Jersey. I will be glad to answer that question.

Mr. APPLEBY. My colleague will answer that, I hope.

Mr. HUDDLESTON. I will be glad to have some one answer it.

Mr. APPLEBY. Just here I should like to insert in the record the following correspondence bearing on the resolution:

SCRANTON, PA., *February 24, 1923.*

Hon. T. FRANK APPLEBY,
House of Representatives, Washington, D. C.

DEAR SIR: I am inclosing herewith copy of letter which I am sending to the attorney general of the State of New Jersey. This letter is self-explanatory, and, as you will note, refers to a concurrent resolution introduced by you in the House of Representatives on January 10.

I would appreciate it very much if you will advise me whether there is any likelihood of your resolution being adopted, and if, in your opinion, the Legislature of the State of New Jersey might be induced to take any action exempting from taxation coal in storage in that State.

Yours very truly,

H. J. CONNOLLY, *Attorney.*

FEBRUARY 24, 1923.

Hon. THOMAS F. MCCRAN,
Attorney General, Trenton, N. J.

DEAR SIR: My attention has been called to Concurrent Resolution 79, introduced in the House of Representatives on January 10, 1923, by Mr. T. Frank Appleby, of the third congressional district of New Jersey, requesting that the several States, through appropriate action by their several legislatures, exempt from taxation all fuel coal of any kind or character in storage within the limits of their respective States. This resolution was referred to the Committee on Interstate and Foreign Commerce and ordered to be printed.

Even though not finally adopted by Congress, it has seemed to me that the resolution is worthy of consideration by the several States, and I have felt that as the attorney general for the State of New Jersey, you might take a particular interest in it, for the reason that the State of New Jersey was one of nine States in whose behalf a brief was filed in the Supreme Court of the United States in an effort to have declared unconstitutional a statute of the Commonwealth of Pennsylvania imposing a tax on anthracite coal of 1½ per cent of the value thereof when prepared for market. I am referring to the case of Heisler *v.* Thomas Colliery Co. et al., argued in the Supreme Court of the United States on November 14 and 15, 1922.

The State of New Jersey at the present time, and for some years past, has taxed anthracite coal in storage. This tax is as burdensome as the tax imposed by the Commonwealth of Pennsylvania, and adds considerably to the cost of coal when stored in New Jersey, where it is accessible for consumption at points near tidewater.

May I ask you to give this matter your consideration, and to advise me whether or not, in your opinion, the Legislature of the State of New Jersey would consider favorably the exemption of coal from taxation when stored within the State.

Yours very truly,

H. J. CONNOLLY, *Attorney.*

STATEMENT OF HON. RICHARD WAYNE PARKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY.

Mr. PARKER of New Jersey. I think the committee misunderstands the exact facts. We are not complaining of taxes on the stocks of coal in the local dealer's hands at all, but in the passage of coal from the mines in Pennsylvania to the dealers in New York the great coal-mining and coal-carrying companies made up their minds years ago that it would be to their advantage and to the advantage of everybody to mine steadily throughout the year and to have large stocks of coal available to the markets—but not in New York, as there was no room for it—and therefore at South Amboy the Camden & Amboy Railroad had a tremendous pile of coal which did not belong to South Amboy at all, but was really in passage to the city of New York; and somewhere up on the Central near Plainfield there were other storage piles.

Mr. APPLEBY. Junction was one place.

Mr. PARKER of New Jersey. Yes; and there was one near Plainfield. They established large piles of coal in small villages which had nothing to do with those villages at all, but were part of the interstate commerce in mining and carrying large quantities of coal to the big market at New York, and in case it went to New England or points beyond there. A great many shipments were made direct from South Amboy to New England. Like shipments were made from the terminus of the Central to New England.

It was the big coal business of the whole United States, and these piles gave a reservoir on the way, just as when you are forcing air or water through a pump and have a big expansive reservoir to keep up constant pressure during the whole year. These piles were growing and getting to be enormous. The railroads were willing to stand the loss of the interest, but if they had large stocks there in May it was bad enough to be taxed then, and if the date of taxation, as Mr. Appleby says, has been changed to the 1st of October, then they would have these large stocks there not for the benefit of these towns and not for the injury of these towns or for the business of these towns, but as part of the interstate commerce of getting that coal to the consumer from the mine.

Now, I know nothing about this resolution, or whether it is policy to pass it or not, but this is a matter I have always been interested in and one in which I think the committee will be interested.

If you will look at the decision of the New Jersey Supreme Court—and I think the case was also appealed to the United States Supreme Court some 10 or 15 years ago, although I can not refer you to the cases because I have just been called in here without any notice—you will find that the courts determined that if that coal at South Amboy and at the Central Railroad piles was actually consigned to a specific dealer in New York or New England it was in interstate commerce and could not be taxed; but if, on the other hand, it was brought there by the railroad or the miner who owned it, or by the big coal-carrying company, and was stored there, it was not in interstate commerce while it was so stored and was subject to local taxation.

This local taxation runs up sometimes to 3 or 4 per cent. In Newark we tax at the rate of 4 per cent. I do not know how much they put on this coal, but at any rate it was enough.

Mr. GRAHAM. Is not that almost the universal ruling of the courts, Mr. Parker?

Mr. PARKER of New Jersey. I think so.

Mr. GRAHAM. I know that is true in my own State, where shingles, for instance, were stopped in transit and unloaded at a certain place.

Mr. PARKER of New Jersey. There is no doubt about the law. I am not disputing the law, but I am disputing the policy.

Mr. HUDDLESTON. Mr. Parker, what I am anxious about is to have some one give me some justification, under our governmental system, for Congress to undertake to meddle with the power of the States and their right and their policy with reference to levying taxes for their own purposes.

Mr. PARKER of New Jersey. I doubt very much as to that policy, as to how far it would go, and nevertheless here is a great public crisis in the matter of coal and this question of the storage of coal ought to be considered by the Committee on Interstate Commerce.

I am not sure whether the jurisdiction of the United States over interstate commerce might not warrant them in passing a law right here that coal and food carried on their way to the consumer and stopped——

Mr. HUDDLESTON (interposing). You are opposed to Government ownership of the mines?

Mr. PARKER of New Jersey. Oh, entirely. I am talking about the regulation of interstate commerce.

Mr. HUDDLESTON. And opposed to the Government dealing in coal?

Mr. PARKER of New Jersey. Certainly.

Mr. HUDDLESTON. But you want us to meddle with taxes on coal as levied by the States?

Mr. PARKER of New Jersey. I am not talking of the coal situation. I am talking of the commerce in the coal and the Congress of the United States has jurisdiction over interstate commerce and if you had heard me two words further you would have understood what I was going to state. I am not sure but what the United States has a right to declare that goods in transit which are stopped only for the convenience of the transit are to be considered in interstate commerce. Now, the law has been determined the other way and nevertheless the power to regulate interstate commerce and to say that things can be stopped in transit it seems to me to belong to the United States.

Mr. GRAHAM. I agree, Mr. Parker, that so long as you can identify them as goods moving in interstate commerce, there is no question but what Congress has the right to regulate it.

Mr. PARKER of New Jersey. There is no doubt about it, the goods are moving in interstate commerce, but the principle laid down by the curts went beyond that. It said it must not only be moving in interstate commerce and understood to be moving

in interstate commerce, but it must be shipped and consigned to a particular person in the other State, and as coal is in bulk and is stopped in bulk and goes on in detail to the various dealers, that could not be done, and hence the coal piles, by the decisions of the courts, were declared not to be under the jurisdiction of the United States as interstate commerce, but declared to be under the control of the local towns. I think an injustice is done in that way to the consumer everywhere. The tax ought to be put on the sales of the coal. They do tax it at the mines, but if you put possibly a small tax on the sale of the coal in the hands of the retailer, it would not be placed so that local authorities could break up the interstate commerce in that coal and force it all to be sent forward in the rush time instead of being kept throughout the year and shipped at the right time.

I do not know whether I stand for this resolution or not. I am inclined to think I stand for a stronger one, namely, a declaration by Congress that goods that are stopped in this way as part of the transit are to be considered in interstate commerce.

Mr. HUDDLESTON. Under the Constitution it is a question of fact whether goods and commodities are in interstate commerce or not, and a resolution by Congress would not make something interstate commerce which, as a matter of fact, is not.

Mr. PARKER of New Jersey. I think it could. I think, Mr. Huddleston, that Congress could declare, as a matter of regulation of interstate commerce, that all coal during the summer could be stopped at various places and sent forward. That is not regulation of the mining. It helps the mining but is not a regulation of the mining.

Mr. HUDDLESTON. We have not been able to regulate child labor in that way.

Mr. PARKER of New Jersey. That is not interstate commerce. That was for the purpose of regulating child labor itself.

Mr. HUDDLESTON. We have not been able to regulate that by congressional declaration.

Mr. PARKER of New Jersey. Well, we will not go over that, because that is a large question.

Mr. DENISON. I may be wrong about it, Mr. Parker, but was it not upon that theory that we passed a law regulating the stockyards and packing houses and the storage of wheat, etc., on the theory that it was in interstate commerce.

Mr. PARKER of New Jersey. No; I do not remember it exactly that way. It was somewhat that way, but I did not believe in all that regulation.

Mr. GRAHAM. The Supreme Court, if you will excuse me, held in that case that the charges imposed by the packing houses and the Union Stockyards at Chicago were a part of the necessary movement of the goods from the producer to the consumer, and were proper to be regulated as interstate commerce.

Mr. PARKER of New Jersey. Yes. Now, this goes much further than that, Mr. Graham. This goes to this proposition, for instance: If there is a pipe line delivering oil to a big reservoir on the top of a hill half way, and it runs out of that pipe line to the consumers at the other end, this seems to me almost exactly the same thing, continual transportation of coal which is shipped and deposited in a dump from which it is drawn and taken away; and I think that the commerce of the United States has gone beyond the old idea in the case of these bulky things which are all measured by the ton and where you do not care which ton of coal, for instance, you get, if it is of the same quality. That is exactly what happens in this case, that such a hill is a reservoir, just as there is a reservoir for oil, so that the coal can go forward at the right time.

Mr. GRAHAM. Now, let me show you what trouble we might get into because I believe if this will work with coal it will work with wheat, for instance. A man who has an elevator in South Amboy or any place near New York for the purpose of storing wheat is doing exactly the same thing. He is storing the wheat for ultimate shipment into the mills where it is turned into flour and the same thing is true with lumber.

Mr. PARKER of New Jersey. Ought that stock of wheat and lumber which is not held for the benefit of that locality but for other localities, and which is really in transit, to be taxed by the locality? I doubt that very much. I think the principle goes just as far.

Mr. GRAHAM. Yes; it is the same thing in principle.

Mr. PARKER of New Jersey. I think the locality has a right to tax the elevator and the machinery in it, but if people choose to buy up stocks as part of the interstate commerce in that commodity, I doubt very much whether localities ought to have the power to break up such interstate commerce by taxing those stocks.

Now, I have only one other thing to say——

Mr. LEA. It would seem to me that at this stage of the game, perhaps, the proper place to present this matter would be the coal commission which was appointed for

the purpose of studying these problems and reporting back to Congress and making recommendations.

Mr. PARKER of New Jersey. I do not care to go there. I am talking about whether this is interstate commerce or not; and now I am going just one step further about taxation.

Mr. MAPES. Do you know what it costs to unload and load again the coal at a storage point like this?

Mr. PARKER of New Jersey. I do not know a thing about that. I am only talking about the law point involved. I am talking of the fact that by local taxation we have driven these great reservoirs of coal which were practically reservoirs, just like reservoirs of oil or water, away from our State, and have caused a distress in the city of New York by reason of such action, at this time, which is incalculable.

Now, I want to go one step further about taxation. I have never believed in taxing stocks of goods. My reason for that is that it is for the benefit of the consumer that there should be large stocks on hand. I know, for instance, that we do not make as good woolen cloth here as they do in other countries, and I was talking to a friend of mine, Mr. Stitt, who was an Englishman by birth and who made woolens for years, and I said to him, "What is the reason there is not any good wool in the United States?" He replied there is the best wool in the United States, and the wool of Ohio is the best of any. I then asked him, 'What is the reason that an English suit of clothes is soft to the touch while an American suit of clothes is rough"? Mr. Stitt said, "Oh, that is easy to explain. The Englishman takes his wool and puts it in a loft and turns it over from time to time for years until the grease dries in it, so that when it is treated the proper chemical only touches the outside and the grease stays in it and it remains soft. We put our stocks through the chemicals right away and take all the grease out of the wool and you never can get it properly back into the wool again, and therefore our wool is rough while theirs is soft."

There are plenty of other cases of that sort where manufacturers would go on in bad times making goods and storing them up so as to equalize the bad times with the good. I have always felt it was suicidal to be taxing capital as we do in all the towns instead of taxing, as they do in England, the profits of the factory or the sales of the factory, as the goods are made, because when the money is coming in they can pay the tax, whereas when the goods have to be kept from year to year, they can not stand a tax of 2 or 3 or 4 per cent, because it is simply added to the interest. I know one man in Newark who after the panic of 1873 went on manufacturing patent leather when everybody else failed, and they wondered what he did with it. He was shipping it all the while to Liverpool and putting it in bonded warehouses at 4 per cent interest, and at the end of the panic in the eighties, when there was again a demand for it here he brought it all back and sold it in the market here.

Mr. MERRITT. He was a far-sighted man.

Mr. PARKER of New Jersey. Yes; his name was Dawson, and I am giving this only as an example of the care that a government should take not to interfere with the proper use of capital in preserving stocks, whether they be of coal or wool or patent leather, or whatever it may be, for the benefit of the community.

I would not have taken the liberty of speaking to you gentlemen except I have perhaps given you some facts which you have not thought of before.

The CHAIRMAN. We are very much obliged to you, Mr. Parker.

(The committee thereupon proceeded with the consideration of executive matters, after which it adjourned.)

22767

END OF
TITLE